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JULY 1948

# MARKETING ACTIVITIES



11/7



U. S. Department of Agriculture  
Production and Marketing Administration  
Washington 25, D.C.

FOOD SLEUTHS

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CHANGES IN PROCESSING, DISTRIBUTION OF POULTRY

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In the last quarter of a century, there has been a marked increase in sales to consumers of eviscerated and cut-up poultry. But if the customers are to be kept satisfied with high-quality products, more attention must be paid to sanitary practices, suitable facilities, and inspection and grading.

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Address all inquiries to  
The Editor, Marketing Activities  
Production and Marketing Admin.  
U. S. Department of Agriculture  
Washington 25, D. C.

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Issued monthly. Vol. 11, No. 7

# Food Sleuths

By Harry W. Henderson

Wheat, a bulky commodity having relatively small value, would seem to be one of the last things anybody would try to steal. Yet a man stole 60,000 bushels of wheat from the U. S. Government and managed to cover up his thefts' over a period of many months. He was caught only through shrewd work on the part of the Production and Marketing Administration's Compliance and Investigation Branch (CIB), which polices PMA programs--several of which involve annual expenditures running into hundreds of millions of dollars.

## Stolen Wheat

In the case of the stolen wheat, the thief, as manager of a country grain elevator, was in a good position to carry on his illegal operations. This manager had signed an agreement with the Commodity Credit Corporation, which finances certain PMA programs, to store Government-owned grain acquired under price-support programs. After the agreement had been in effect for some time, the Corporation asked the manager to load some of the wheat into boxcars for delivery to another point. The manager asked for permission to postpone the loading, giving the excuse that he couldn't hire the men required to do the work. A second request from the Corporation brought another plea for postponement, because, the manager said, repairs to the elevator were being made. When the Corporation made a third request, the manager reported that his brother, the owner of the elevator, was ill, and that the loading would just have to wait.

Suspicious, the Corporation asked the Compliance and Investigation Branch to look into the matter. After weeks of careful work, CIB investigators proved that the Corporation's suspicions were fully justified. The manager, an inveterate gambler, had run into a streak of bad luck. So, to make good his losses at poker and dice, he had been selling the Government's wheat to a flour mill in a nearby city, hauling the grain away at night in his own trucks. He was able to hide these operations from his brother and his employees by juggling accounting records--juggling them so thoroughly, in fact, that even he lost track of what belonged to the elevator and what belonged to the Government. On the basis of the evidence collected by CIB investigators, the manager was arrested, brought to trial, found guilty of illegal diversion of Government property, and sentenced to 2 years in Federal prison. Most of the \$80,000, representing the value of the stolen wheat, was recovered by the Corporation.

The big job of the Compliance and Investigation Branch is helping other PMA branches weed out program irregularities. Are processors who are selling dried eggs to the Government paying producers of shell eggs the required support price? Are truckers hauling in interstate commerce only the best grades of potatoes produced in certain counties of Virginia and North Carolina, as is required by Marketing Order 80? Are cotton

exporters, who receive a payment of 10 cents a bale on cotton shipped out of the country, exporting "eligible" cotton or "ineligible" cotton, such as re-ginned fiber? In the case of these and many other programs, it takes investigation--interviews, examination of accounting records, surveillance, the careful weighing of one fact against another--to find the answers.

CIB investigators work quietly, keeping in the background. They do not make arrests. That is a job for Federal, State, and local law enforcement officials. Nor do they prosecute persons charged with crimes against the Government. That is a job for attorneys of the U. S. Department of Justice. The investigators do collect the evidence needed as a basis for making arrests, for prosecuting criminals, and, more important, for bringing about a higher degree of compliance with PMA programs.

The collection of evidence is likely to lead investigators into all sorts of places, including dairy barns, as was the case when the CIB was called upon to investigate frauds connected with wartime subsidies paid to milk producers. These subsidies, paid by the Commodity Credit Corporation, were designed to provide producers with the returns required to meet higher feed, labor, and other costs so as to enable them to sell milk to consumers at no increase in price. But--prices of milk at the farm were already at relatively high levels, and these prices, plus subsidies that ranged seasonally from 35 to 80 cents a hundred pounds, made milk a valuable commodity--so valuable, in fact, that some producers couldn't resist the temptation to "stretch" their production by adding water.

#### Watered Milk

Reports of milk watering from one community brought several CIB investigators to the area in a hurry. They went over records, comparing butterfat tests of one producer with those of another. They inspected dairy herds and milk-handling facilities. They interviewed hundreds of producers, milk handlers, and consumers. All the evidence collected after several weeks of intensive investigation pointed to one fact: The milk watering practice had spread through the community like an epidemic. At least 150 producers were involved--and most of them, when confronted with definite proof that they had defrauded the Government, came up with the reply, "Everybody was doing it." That excuse, of course, didn't bear any weight with the Department of Justice, which proceeded to obtain indictments, trials, and convictions of the more flagrant offenders.

The practice of milk watering was not limited to this one community by any means. An Eastern producer, caught dead to rights, offered the excuse that he had watered his milk, not to cheat the Government nor the dairy to which he sold, but to maintain his reputation as the leading milk producer in his community. He eventually agreed to repay all the subsidies he had collected--some \$10,000. A Western producer advanced the novel argument that he should not be prosecuted for watering milk because his customers were Mexicans, not Americans. Nevertheless, he was required to repay the subsidies collected and was fined \$2,000 be-

sides. A Southern producer bragged that his best cow was Long Lucy, Long Lucy being his name for a rubber garden hose. His bragging stopped when CIB investigators began to check up on the \$9,000 in subsidies he had collected from the Government.

CIB accountants enter many cases to collaborate with the investigators, the leads they turn up in the course of their examination of books and records being developed to good effect by the investigators. The accountants check everything that might have a bearing on the case--records of purchases, sales, inventories, bank deposits, withdrawals, and other accounting data available. Sometimes the accountants come across records that are inadequate for the purpose of their audit assignments. As a result, they have to "make" the records; that is, to ascertain whether an individual or firm has complied with regulations, the accountants must reconstruct, from available evidence, a record of what actually took place. These reconstructed records are admissible as evidence in court and frequently result in convictions of violators.

#### Accounting Case

One case, based almost entirely upon accounting records, involved subsidies paid by the Commodity Credit Corporation to a milling company under the Corporation's program to encourage exports of flour. The subsidies, in the amount of approximately \$50,000, were paid by the Corporation in 1939 on a large shipment of flour the company alleged it had sold to dealers in the Far East. In 1945, however, the Corporation received anonymous information to the effect that this subsidy claim was fraudulent--information the CIB was requested to verify or refute.

CIB accountants found, after thorough investigation, that the subsidy claim had been filed early in 1939 whereas ex-employees of the company stated that the flour was not actually sold until some time later. According to these ex-employees, company officials had filed the claim early in 1939 because they feared that the subsidy rate would soon be lowered from the then prevailing level of \$1.25 a barrel. It appeared, furthermore, that the "sale" covered by the subsidy claim actually was not a sale at all but a consignment by the company to the company's own representative in Shanghai, China--a conclusion confirmed from records furnished by the representative. The CIB felt that the evidence uncovered justified further digging.

So CIB officials enlisted the aid of American consuls in Tientsin, Shanghai, Hong Kong, and Manila. The consuls, for their part, got in touch with flour dealers throughout the Far East and requested them to furnish, from their records, any information on flour purchased from the milling company during the period subsidies were in effect. In the meantime, CIB accountants studied voluminous Japanese records that had been filed away by the Alien Property Custodian in a New York City warehouse.

All this effort brought no further evidence of a questionable nature to light. But on the basis of what was turned up by the CIB relative to subsidies paid on exports made early in 1939, the Commodity Credit Corporation feels that it is justified in withholding approxi-

mately \$50,000 due the company under other transactions.

The CIB has a Washington office and field offices at New York, Chicago, San Francisco, Dallas, and Atlanta. The field offices, in turn, have established resident agents in large metropolitan centers within their respective jurisdictions. This decentralization makes it possible for the CIB to move quickly to trouble spots. It also enables field offices to cooperate on cases that have inter-regional aspects, such as one involving the theft of food stamps.

### Food Stamp Thieves

In the early 1940's, the Department of Agriculture carried on a so-called food stamp program to increase food consumption among the needy and to provide a market for surplus agricultural commodities. People in low-income groups bought orange-colored stamps, good in exchange for any foodstuff, and received free a specified number of blue stamps, good in exchange only for certain surplus foods. These stamps were turned in to the Government, through banks, for money and thus had real value--a fact the criminal element was quick to recognize.

Before long, a stamp-issuing office in New York reported that burglars had blown open the safe and had made off with thousands of dollars' worth of stamps. Similar reports began to come in from offices in Massachusetts, Pennsylvania, Ohio, Missouri, and Kentucky. The face value of stolen stamps continued to mount until it reached the alarming total of \$500,000.

The gangsters made a mistake, however, when they blew open a safe in the stamp-issuing office at Louisville, Ky. Some of the stamps taken in that robbery had been marked in such a way as to be identifiable later. CIB investigators took up the trail when a New York grocer turned in some of the marked stamps at a bank.

The grocer swore that he had received the stamps from another grocer--a fact that was confirmed. The second grocer proved that he had received the stamps from still another grocer. The tenuous trail eventually led to two men with long criminal records that included convictions for safe-cracking.

Two of the men who had been "passing" the stolen stamps agreed to cooperate with the CIB in keeping the safe-crackers under surveillance. So well did these informers cooperate that, in one instance, the CIB had definite knowledge that a stamp-issuing office would be burglarized--somewhere--because one of the cracksmen had remarked to an informer that he, the cracksmen, "was going on a fishing trip." As it turned out, the fishing was done in a safe of the stamp-issuing office at St. Louis, Mo., the haul being \$5,000 in stamps and cash.

When the investigators had collected sufficient evidence, the New York City police, who had been cooperating on the case all along, took the suspected safe crackers into custody. These men were indicted, tried, and given long terms in a Federal penitentiary. The CIB was

never able to prove it, but was virtually certain that all the food stamp burglaries, because they followed a definite pattern, were the work of these two men.

### Training of Investigators

At periodic intervals, the Compliance and Investigation Branch holds training conferences in each of its field offices, at which time PMA programs are fully discussed, investigative techniques recommended, and report writing procedure revised. The officials in charge of these conferences devote considerable time to training investigators in approved methods of securing admissible evidence. This training has paid off many times.

A regulation known as War Food Order No. 1, which, among other things, forbade the consignment selling of bread, was issued in 1943. Under consignment selling, bakers delivered large quantities of bread to individual food stores. What bread the store was unable to sell was taken back by the baker to be sold as day-old bread or sold to farmers as livestock feed. The latter, of course, meant a considerable waste of the human food needed to carry on the war effort.

One baker in the Middle West persisted in selling on consignment despite the order, so the CIB set out to obtain evidence needed to put a stop to the practice. Drivers for the bakery had been observed entering food stores with what was presumed to be fresh bread and leaving the stores with what appeared to be stale bread. But "presumed" and "appeared" are not good words in court and seldom impress a jury.

Two alert investigators worked out a scheme for obtaining definite evidence. They entered a food store and, while one engaged the proprietor in conversation the other dusted the wrappers of bread in the rack with a special powder. Later, when bakery truck drivers had made all their deliveries--and collections--the investigators dropped in at the bakery and obtained all the bread that had been collected during the day. This bread was scanned under a certain kind of light, which caused the powder sprinkled on the wrapper to fluoresce or glow.

This evidence was taken into court and convinced the jury that violations of War Food Order No. 1 had taken place--and flagrantly. Officials of the bakery, as well as several drivers, received heavy fines.

A warehouseman is expected to take reasonable care of the Government-owned commodities he accepts for storage; that is, the kind of care he would take of the commodities if he, himself, owned them. When a large quantity of Government-owned frozen eggs were destroyed in a warehouse fire not long ago, CIB investigators found that the day before the fire took place, one part of the building had collapsed, a mishap the owner had failed to report to authorities in a position to carry on salvage efforts. The owner, furthermore, knowing that the caved-in section had fallen on refrigerating machinery, had failed to post a watchman to guard against fire. Was this reasonable care? A jury in Federal Court thought not and decided that the warehouse owner must pay the Government

the full value of the eggs--almost \$26,000.

A railroad company is usually held responsible for goods accepted for transport until delivery has been made to the consignee. But what constitutes delivery is often contested hotly. CIB investigators frequently must determine when a shipment left a certain point, when it arrived at its destination, what time unloading commenced and ended, condition of the commodities, and other facts relative to the dispute. A case now pending with the Department of Justice, involving a substantial sum, will hinge upon the ability of the Government to show that unloading of certain boxcars had not commenced when Government-owned commodities were damaged and that delivery therefore had not been made by the carrier.

Occasionally the CIB must pass upon disputed handwriting, hand-printing, typewriting, and figures. During the fiscal year 1947-48, for example, the CIB examined more than 1,000 questioned and 300 known specimens of writings, resulting in the positive identification of the authors of many forged or altered documents.

### Handwriting Identification

Handwriting identification played a prominent part in the solution of a case involving the theft of Government-owned soap. The Commodity Credit Corporation had purchased 10 million pounds of soap for the United Nations Relief and Rehabilitation Administration and had every reason to believe that all the soap had been delivered at shipside for transportation abroad. Later, however, some of this soap turned up in certain New England grocery stores and the CIB was called in to investigate. Routine inquiry established the fact that a trucking company, under contract to deliver part of the soap from the manufacturer's Brooklyn, N. Y., warehouse to a pier at Hoboken, N. J., had diverted 500 cases of the soap to another warehouse, where the stolen property was sold to a go-between or fence.

One thing puzzled the CIB, however. The Government had purchased 10 million pounds of soap and, as far as the records were concerned, 10 million pounds of soap had been delivered. How and at what point had the records been doctored to cover up the theft?

Preliminary investigation showed that one "tally sheet," a receipt indicating delivery of soap to the Hoboken pier, had been forged. Suspicion was at once directed toward two drivers employed by the trucking company, one of whom, as the saying goes, was already in trouble up to his ears. But a careful comparison of the drivers' signatures by the CIB's handwriting expert completely exonerated both. And samples submitted by other suspects failed to show any similarity to the forged signatures.

One day the CIB expert, in studying the tally sheet more closely, came to the conclusion that whoever had filled out certain information at the top of the sheet probably had forged the signature at the bottom. The signature had been carefully disguised, yet the slant and flow of the letters of the signature were somewhat similar to the data at the

top of the sheet. Inquiry soon established the fact that a clerk employed by a stevedoring company, a man who had been "helpful" throughout the investigation, had made the notations at the top of the sheet. Samples of the clerk's handwriting were taken, and, although he tried desperately to disguise his penmanship, it was established beyond any doubt that he had forged the questioned signature.

One partner of the trucking company was returned to prison to serve 6 years for violation of parole. The clerk who thought he could write like somebody else was sentenced to a year in prison. Others connected with the case were given suspended sentences and heavy fines.

The Compliance and Investigation Branch, through its routine and often monotonous work, saves the Government large sums of money annually--not only through recoveries and penalties, but also by discouraging the unscrupulous few who would like to play fast and loose with PMA's food programs. Not measurable in terms of money, but more important than money, is the fact that the CIB, through its efforts, brings about a higher degree of compliance with agricultural programs and a greater respect for the U. S. Government and its laws.

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#### JASPER, FLA., TOBACCO MARKET GETS INSPECTION, MARKET NEWS SERVICE

The flue-cured tobacco market at Jasper, Fla., was designated for free and mandatory inspection and market news service by USDA early in June.

This action, under Section 5 of the Tobacco Inspection Act, followed approval by the growers selling tobacco on the Jasper market who voted in a referendum in April, in which all of the growers voting favored designation. The tobacco inspection law requires that before a market may be designated for the service, not less than 66 2/3 percent of those voting must favor the action.

Inspection and certification of tobacco on the warehouse sales floors and the distribution of reports on prices by grades are features of the service and serve as guides to growers in accepting or rejecting bids offered.

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#### LOAN RATES REVISED ON GUM TURPENTINE AND GUM ROSIN

A decrease of the loan rate on gum turpentine from 64 1/2 to 40 cents a gallon, bulk, and a corresponding increase of the gum rosin rate from \$7.09 to \$7.97 a hundred pounds, net, on K grade rosin, was announced in June by USDA. The support price of \$131.58 for the gum naval stores production unit of 50 gallons of turpentine and 1,400 pounds of K grade rosin remains unchanged.

Inquiries recently received by the Production and Marketing Administration indicate a great deal of interest among marketing people and others in the provisions of the agricultural act recently passed by Congress. The new legislation is here summarized for the benefit of Marketing Activities readers.

## New Farm Law

Essentially this act combines the price-support provisions of the Aiken bill (S. 2318) with those of H.R. 6248 introduced by Mr. Hope. The act extends existing price-support legislation to basic commodities marketed before June 30, 1950, and, with certain important modifications, to "Steagall" commodities marketed before January 1, 1950. Beyond these dates, it enacts the parity and price-support provisions of the Aiken bill.

More specifically, Title I of the act provides as follows:

(a) Basic commodities: Prices received by cooperating producers of cotton, wheat, corn, tobacco, rice, and peanuts marketed before June 30, 1950, are to be supported at 90 percent of parity. Price supports to non-cooperators are to be 54 percent of parity, and only on so much of the commodity as would be subject to penalty if marketed.

The parity base period for Maryland tobacco is changed from August 1936 to July 1941. As of May 15, 1948, this would increase the parity price of Maryland tobacco from 38.0 cents per pound to 48.8 cents per pound.

(b) Prices of Irish potatoes harvested before January 1, 1949, and prices of milk and its products, hogs, chickens, and eggs marketed before January 1, 1950, shall be supported at 90 percent of the parity or comparable price;

(c) Prices of other Steagall commodities (mandatory) shall be supported until January 1, 1950, at not less than 60 percent of the parity or comparable price nor at more than the level at which the commodity was supported in 1948;

(d) The price of wool is to be supported at not less than the 1946 average farm price until June 30, 1950 (this extends the termination date of Public Law 360, 80th Congress);

(e) Section 4(b) of the Steagall amendment, which applies to commodities for which price support is permissive rather than mandatory, is extended to January 1, 1950;

(f) The Secretary has authority to require compliance with production goals and marketing regulations (including marketing agreements and orders) as a condition of eligibility of producers for price support. This applies to all commodities except the basic commodities, which have other provisions for this purpose.

In addition, Title I revises Section 22 of the Agricultural Adjustment Act to make possible the application of import quotas or fees on any agricultural commodity if such imports may jeopardize the effectiveness of price-support operations.

## Title II

Title II of the act amends the parity price and income formulas, changes the definitions of carry-over, normal supply, and total supply for basic commodities which had been contained in the Agricultural Adjustment Act of 1938, and provides for a new set of support price schedules and conditions for the period beginning January 1, 1950.

The major provisions may be described briefly as follows:

(1) Parity price: The parity price for any agricultural commodity shall be determined by dividing the average price received by farmers for that commodity during the preceding 10 calendar years (or during the 10 marketing seasons beginning within this period) by the index of prices received by farmers for all commodities during the same period to obtain an "adjusted base price." This adjusted base price is then multiplied by the current index of prices paid, interest, and taxes to obtain the current parity price.

In addition, transitional parity prices are provided for commodities whose parity prices as calculated under the Agricultural Adjustment Act of 1938 are higher than the parity prices as calculated above. The transitional parity price of a commodity at any date shall be its parity price as calculated under the Agricultural Adjustment Act of 1938 less 5 percent of the parity price so determined, multiplied by the number of full calendar years which have elapsed after January 1, 1949. This means that as of January 1, 1950, when Title II goes into effect, the transitional parity price, where applicable, will be 95 percent of the parity price as formerly calculated.

The Secretary of Agriculture may, after a public hearing put into effect for particular commodities other methods of computing parity if their parity prices as provided for above appear to be seriously out of line with the parity prices of other agricultural commodities.

The definition of parity income is revised. Since non-operating provisions of this bill are based on parity income it is assumed that this is a direction to the Department to begin studies leading to a quantitative measure of parity income and the relation of parity income to parity prices and action programs based on parity prices.

(2) Carry-over: The definition of carry-over for cotton is changed to exclude foreign-held stocks of cotton which was produced in the United States. A definition of carry-over for peanuts is added because it is needed in the determination of price-support level.

(3) Normal supply: The normal supply of corn, cotton, rice, wheat, and peanuts for any marketing year is defined as the estimated domestic consumption of the commodity during the preceding marketing year plus

the estimated exports of the commodity for the marketing year for which normal supply is being determined, plus an allowance for carry-over. The Secretary is directed to take account of current trends in consumption and unusual conditions in determining normal supply. Normal supply in the case of tobacco shall be a normal year's domestic consumption and exports, plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports as an allowance for a normal carry-over.

(4) Total supply: Total supply for basic commodities other than tobacco is defined as the carry-over of the commodity at the beginning of the marketing year plus estimated production and imports. Total supply of tobacco is defined as carry-over plus production.

(5) Price support: The Secretary is given general authority to support prices of agricultural commodities to producers through loans, purchases, payments, and other operations.

(a) Basic commodities: Title II provides a schedule of minimum price supports for the basic commodities with a moving floor ranging from 60 percent of parity when the total supply is more than 130 percent of the normal supply up to 90 percent of parity when the total supply is less than 70 percent of the normal. Whenever acreage allotments of marketing quotas are in effect, the minimum support price provided in the schedule is automatically increased by 20 percent, but the support shall not exceed 90 percent of parity. It should be pointed out that the schedule of price supports for the basic commodities in Title II is a minimum level, and that the Secretary has authority to support prices of these commodities at as high as 90 percent of parity.

An exception is made in the case of tobacco, which is to be supported at 90 percent of parity in any year in which marketing quotas are in effect. Under Title II, marketing quotas for major types of tobacco, except Maryland and cigar leaf, will be in effect every year unless disapproved by more than one-third of the producers voting in a referendum.

The support levels for basic commodities stated above apply only to cooperators. The level of support to non-cooperators is discretionary. In the event that quotas are disapproved by more than one-third of the affected producers voting in a referendum the support level shall be 50 percent of parity.

(b) Nonbasic commodities: The Secretary is authorized to support prices of nonbasic commodities at any level up to 90 percent of parity, taking into consideration the ability and willingness of producers to keep supplies in line with demand and other factors. Storable nonbasic commodities may be supported with the aid of regular Commodity Credit Corporation funds. Non-storable nonbasic commodities (except Irish potatoes) can be supported only by means of Section 32 funds and the Commodity Credit Corporation reserve for the postwar price support of agriculture. However, regular funds of the Corporation may be used to support the prices of non-storable nonbasic commodities through operations with respect to storable commodities processed from such commodities.

In addition, the Secretary is directed to support the price of wool at such a level not less than 60 percent or more than 90 percent of parity as he may consider necessary to encourage an annual production of 360 million pounds of shorn wool, and to support the price of Irish potatoes harvested after December 31, 1949, at not less than 60 percent nor more than 90 percent of parity. The act further specifies that if any price-support operation is undertaken with respect to either turkeys or chickens the same operation shall be applicable to broilers, ducks and ducklings, and other poultry. Compliance with acreage allotments, production goals, and marketing practices (including marketing agreements and orders) prescribed by the Secretary may also be required as a condition of eligibility for price support under Title II.

(c) Other provisions: In the event that the Secretary, after a public hearing, finds support price levels higher than 90 percent of parity to be "necessary in order to increase or maintain the production of any agricultural commodity in the interest of national security," he may put such higher supports into effect.

The Commodity Credit Corporation is directed not to sell any farm commodity owned or controlled by it at such levels as would substantially impair the effectiveness of current price-support operations. Certain sales by CCC are excepted from this directive.

(6) Marketing quotas: Title II provides conditions which must exist before marketing quotas may be proclaimed. Marketing quotas for corn, wheat, cotton, and rice may be proclaimed when it is estimated that the total supply for the marketing year in question will exceed the normal supply by more than 20 percent (8 percent in the case of cotton) or when the average farm price for three successive months of the preceding marketing year has been 65 percent of parity or less provided the supply is not less than the normal supply. In every year, the Secretary is to proclaim a marketing quota for each kind of tobacco for which a marketing quota was proclaimed for the immediately preceding marketing year, and to proclaim a marketing quota for Virginia sun-cured tobacco for each marketing year for which a quota is proclaimed for fire-cured tobacco. Prior legislation which is not changed by this act provides that marketing quotas be proclaimed for peanuts each year. All marketing quotas are to take effect unless opposed by more than one-third of the farmers voting in a referendum.

### Title III

Title III provides that beginning with fiscal year 1950, any excess of Section 32 funds over current expenditures from this source may be accumulated up to a maximum of 300 million dollars. In addition, it provides that marketing agreement programs in effect under the Agricultural Marketing Agreement Act of 1937 are amended to include the definition of parity prices in the Agricultural Act of 1948 and shall continue in effect without the necessity for any special amendatory action relative to such programs. All references in other laws to parity or parity prices shall be deemed to refer to parity prices as determined in accordance with the new act.

# Changes in Processing, Distribution of Poultry

By Melvin W. Buster

Not so long ago most of the poultry sold at retail was turned over alive to the customer. Later, many retailers began the practice of selling the live bird, then killing and dressing it for the customer. A later marketing development was the display and sale of dressed poultry, from which only the blood and feathers had been removed. Finally, in the years just before World War II, some progress was made in the marketing of drawn or eviscerated poultry and even cut-up poultry.

During the 11 years beginning in 1936, the volume of poultry marketed from farms doubled. In 1936, approximately 1.25 percent of the estimated total poultry sold from farms was officially graded as dressed and undrawn. Approximately 1.43 percent was officially inspected for wholesomeness and condition during evisceration. This 1.43 percent included poultry sold to consumers, in the eviscerated form, in addition to that used for canning purposes.

In 1946, the amount of dressed poultry officially graded was approximately 7.45 percent of the total poultry marketed, and approximately 6.51 percent was officially inspected during the evisceration process. The total volume of poultry officially inspected for wholesomeness increased more than 700 percent between 1936 and 1946. The total volume officially graded as dressed poultry increased more than 1,000 percent during the same period. This is a substantial growth by any standard. Notwithstanding the volume increase, however, less than 15 percent of the poultry consumed in the United States is either officially graded or officially inspected for wholesomeness. And only a small fraction of the eviscerated poultry that is officially inspected for wholesomeness and condition is officially graded and identified.

Figures on the volume of poultry drawn or eviscerated, but not officially inspected, are difficult to obtain. However, commercial estimates of the growth of marketing quick-frozen drawn poultry indicate that the volume of poultry packed in this manner in 1946 exceeded by more than 10 times the poultry processed and packed in this manner in 1936. This estimate does not include poultry sold as fresh-drawn or ice-packed by processing plants for which no over-all figures are available.

Information gathered from the larger processing plants throughout the country for 1946 reveals that the number of plants that were drawing poultry without inspection considerably exceeded the number of plants that were eviscerating it with official inspection. The records are complete on plants operating with official inspection, but not on those without it.

Poultry stores and meat markets and many of the combination grocery and meat retail stores are drawing poultry before putting it on display to sell it on a drawn-weight basis. This poultry is in addition to what is drawn at the time the consumer buys. The latter, at the present time, includes most of the poultry not already eviscerated before purchase. Thus, under these types of operation, most of the poultry is reaching the consumer in drawn form, but there is considerable variation in sanitary practices and facilities, in the extent to which the viscera are removed, and in the condition of the birds.

As sales of drawn and cut-up poultry increase, many industry leaders are realizing the importance of sanitary practices and adequate facilities in maintaining poultry quality at a high level. The Production and Marketing Administration is doing its best to provide an adequate inspection and grading program, on a voluntary basis and at the lowest possible cost, to keep up with the trend toward increased volume of drawn or eviscerated and cut-up poultry. PMA is convinced that a sound program should maintain proper sanitary requirements and amply checks on the condition, wholesomeness, and quality of poultry marketed.

#### How Large Should Plant Be?

As for the larger operations, PMA's view is that the Federal inspection program, which has been conducted for several years with full-time licensed veterinarians in the plants, is operating quite satisfactorily and at a reasonable cost. The most difficult problem is with the smaller processing plants or packing plants that operate seasonally or a few hours a week, and that do not have enough business volume to maintain full-time licensed veterinary inspectors. Many of these plants, however, want some form of official inspection. Thus, in the development of a program, a question of the relative size and adequacy of processing plants is involved. The PMA position is that any operation, small or large, that cannot provide adequate facilities and proper sanitation has no place in the poultry marketing field. It would appear to be sound business to draw, cut, and package poultry in properly constructed and equipped processing plants (either large or small and near to production) rather than to draw and cut it in retail stores. This procedure offers several advantages--for example, savings in labor and transportation, utilization of the byproducts now largely wasted, and savings in disposal costs. And it can reduce marketing costs.

Before 1944, when the first tentative U. S. standards for classes and grades for eviscerated federally inspected chickens and turkeys were issued, industry interest and USDA efforts and service were limited for the most part to inspection of eviscerated poultry for wholesomeness and condition. The inspection label, a certificate of wholesomeness, might easily be misinterpreted by the uninformed consumer as a certificate of grade quality. This problem is, of course, an educational one. There has been very little evidence of interest in the use of grading and grade labels, although of late the demand has been increasing.

Interest is growing in inspection and grading programs for drawn and cut-up poultry. Some State regulatory agencies are considering the

establishment of inspection and grading programs on a State or area basis. This plan is somewhat different from that now provided by the Federal Inspection and Grading Service. It presents problems of uniformity. Experience with other commodities and even with eggs has demonstrated that variable inspection, grading, and labeling programs result in an undesirable lack of uniformity and ultimate confusion, inconvenience, and loss to producers, marketing agencies, and consumers. Since this is a problem of Nation-wide importance and interest, steps are being taken to secure Nation-wide opinions and recommendations on the subject. PMA also believes that any program developed in this field should be available for use throughout the country and should combine sound, practical, scientific procedures acceptable to a majority of the entire country.

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#### CROP THAT MINTFLAVORS CHEWING GUM IS SUBJECT OF NEW FARMERS' BULLETIN

The oils of peppermint and spearmint that are the basis of a considerable farming industry in several States are used principally for flavoring chewing gum, candy, and toothpaste. According to a new USDA Farmers' Bulletin titled "Mint Farming," the United States produces most of the world's supply of these oils. The bulletin explains that Japanese mint, grown in Japan and Brazil, yields a different oil that is a source of menthol.

The new bulletin describes the various producing areas in Michigan, Indiana, Ohio, Washington, Oregon, and California. It contains chapters on types of mint, cultural directions, diseases and pests, harvesting, distillation of oil, and on yields, costs, prices, production, and consumption.

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#### TOBACCO MARKET AT JASPER, FLORIDA, GETS INSPECTION, MARKET NEWS SERVICE

The Jasper, Fla., flue-cured tobacco market was designated by USDA on June 1 for free and mandatory inspection and market news service. The action, under Section 5 of the Tobacco Inspection Act, followed approval by the growers selling tobacco on the Jasper market who voted in a referendum held during the period April 15-17. In this referendum 100 percent of the growers voting favored designation of the Jasper market for inspection and market news service. The tobacco inspection law requires that before a market may be designated for the service, not less than 66 2/3 percent of those voting must favor such an action. Inspection and certification of tobacco on the warehouse sales floors and the distribution of reports on prices by grades are features of the service and serve as guides to growers in accepting or rejecting bids offered.

## TRIGG MAKES THREE TOP PMA APPOINTMENTS

In the first half of June Ralph S. Trigg, Administrator of the Production and Marketing Administration, appointed Frank K. Woolley as Deputy Administrator of PMA, Elmer F. Kruse as Assistant Administrator for Commodity Credit Corporation, and John I. Thompson as Assistant Administrator for Marketing.

Mr. Woolley, who had been serving as Acting Assistant Administrator for CCC, moved up to the position held by Mr. Trigg before his appointment as Administrator last April. Born in Oklahoma, Mr. Woolley engaged in agricultural and commercial work for several years before joining the staff of USDA in 1933 with the Agricultural Adjustment Administration.

He served with this agency for 10 years in various administrative capacities in the field and in the national offices at Washington. He transferred to the War Production Board in 1942, serving as head of the Services Program Branch until he returned to USDA in 1943 to hold administrative positions in the Office of Agricultural War Relations and in the War Food Administration.

Mr. Woolley was commissioned in the Navy in 1944. Returning to USDA in 1945, he has since held the following positions, successively, in PMA: Assistant Director and later Director of the Budget and Management Branch; Deputy Assistant Administrator for CCC, in which position he served as Acting Assistant Administrator. He also served, after February 1946, as Secretary of the Commodity Credit Corporation.

He is a graduate of Kansas City University, and did advanced work for 3 years at George Washington University at Washington, D. C.

Mr. Kruse was born and reared on a farm in Auglaize County, Ohio, and has operated his own general crops and livestock farm in that county for 30 years. He helped establish and directed the activities of a number of farm organization and cooperating marketing groups in Ohio for many years before entering public service. His extensive experience in this field included supervision of livestock, egg, and general cooperative marketing activities; a Rural Electrification cooperative; and the local unit of a national farm organization.

Mr. Kruse was elected chairman of the original Agricultural Adjustment Administration committee in Auglaize County in 1933. He was appointed State AAA fieldman for Ohio in 1935, and chairman of the AAA State Committee in 1936.

After heading the work of that agency in Ohio for 11 years, he came to Washington in 1947 as PMA Administrator's Fieldman, in charge of field operations in all North Central States. He received his early formal education in the Ohio public schools, and later attended Ohio Northern University.

Mr. Thompson was born at Bellfonte, Penn., and reared on a farm in that State. After studying civil engineering at Pennsylvania State Col-

lege and a period of special railroad work, he was engaged for several years in engineering and research activities for industrial firms handling biologicals and drugs, and food products. During World War II, he served as a consultant to the Bureau of Ordnance, Navy Department, in connection with research on new Navy weapons.

In December 1943, Mr. Thompson founded his own engineering and research firm, with headquarters in Washington, D. C. As head of this firm he has been concerned with the development of economic possibilities for various canneries, milling companies, and other food handlers and processors. This work has included research projects related to transportation, warehousing, adaptations to local crops, and the development of new products.

He gave up active direction of this company when he accepted the PMA appointment.

#### DAVE DAVIDSON, PMA'S ASSISTANT ADMINISTRATOR FOR PRODUCTION, DIES

Dave Davidson, Assistant Administrator for Production of PMA and Vice President of the Commodity Credit Corporation, died at Washington, D. C., on May 28 after an extended illness.

Coming to Washington in 1946 as head of PMA's Field Service Branch, Mr. Davidson was later appointed Assistant Administrator for Production. In this position he was responsible for Nation-wide production activities and programs of this agency, including agricultural conservation and adjustment programs, farm marketing quotas, farm labor supply, and others involving direct dealings with farmers through State and county farmer committees.

In addition to his service in various capacities with the U. S. Department of Agriculture, Mr. Davidson had long experience in farm management and the direction of agricultural enterprises. He was a veteran of World War I.

Mr. Davidson entered Government service about 15 years ago as an executive field officer for the Agricultural Adjustment Administration. He later headed the work of this agency in California, was appointed director of the State Office of PMA when that agency was organized in 1945, and came to Washington the following year.

Born at Pinos Altos, N. Mex., October 10, 1899, Mr. Davidson was a graduate of Occidental College, Los Angeles. His experience in private enterprise included several years as superintendent for the California Farming Corporation; the operation of his own 500-acre irrigated farm near Woodville, Tulare County, Calif.; and service as president of the Tule River Cooperative Gin--a farmers' cooperative organization at Woodville.

## MARKETING BRIEFS:

Cotton.--A revision of the USDA cotton sales for export program, effective June 2, allows exporters until next December 31 to export cotton in fulfillment of sales on which notices are received after June 2. The export differential remains at an eighth of a cent per pound.

Dairy Products.--Between May 24 and June 15 PMA announced: Amendment of the Fort Wayne milk marketing order (No. 32), providing for an advance in price differentials over the basic price for milk used in fluid form and as cream; the scheduling of hearings to consider proposals to establish floor prices for fluid milk in areas covered by the New York (27) and Philadelphia (61) orders; the scheduling of hearings to consider proposals of price increases of fluid milk under the Fall River (47) and St. Louis (3) orders; and the scheduling of a hearing to consider the adoption of a seasonal plan of payments to producers under the Nashville order (78).

Fruits.--On June 7, the Commodity Credit Corporation announced total purchases of dried apples to that date this season of 3,161 tons. ... CCC purchases of dried prunes this season to June 2 totaled 123,168 tons.... CCC purchases of Thompson Seedless raisins in packed processed form have totaled 121,000 tons, completing the purchase program announced last October, PMA reported on June 1.... Other CCC purchases during this marketing season, announced June 3, include 1,414.5 tons of dried apricots and 9,304.9 tons of dried peaches.... A proposed Federal marketing order to authorize regulation of the handling of fresh peaches produced in North Carolina and South Carolina was disapproved by growers who voted in a recent referendum. Forty-five percent of the growers favored issuance of the order and 55 percent opposed. By volume of production, the vote was 64 percent in favor and 36 percent opposed. A Federal marketing order, to be issued, must first be approved by at least two-thirds of the growers voting, or at least two-thirds of the production voted, in the referendum.

Fats and Oils.--July-September 1948 fats and oils allocations, announced June 16, total 90.4 million pounds (including exchanges for 8.6 million pounds of copra). Of this total, 87.1 million pounds are for commercial procurement, which includes allocations to Bi-Zone Germany for procurement by the Joint Export-Import Agency. The remainder (2.2 million pounds of lard for Austria and 1.1 million pounds for Bi-Zone Germany) is for Army procurement. Export allocations (including exchanges) for the third quarter of 1947 amounted to 299.8 million pounds.

Grain and Grain Products.--Interim terminal loan rates of 1948-crop wheat amounting to 17 cents a bushel higher than the final terminal loan rates on 1947-crop wheat were announced by USDA on May 25. This year's higher rates reflect 90 percent of the increase in wheat parity prices since July 1, 1947, plus increased freight and handling charges, less a 2-cents-a-bushel margin of safety against the possibility of a decline in parity prices as of July 1, 1948.... Public hearings on proposed amendments to the official grain standards for soybeans will be held

June 23-30 at Toledo, Ohio; Chicago, Ill.; Cedar Rapids, Iowa; and Decatur, Ill. The hearings are in response to dealers' and producers' requests to (1) combine dockage with foreign material and retain the present maximum limits for foreign material or increase them 1 percent in each grade, (2) reduce the maximum limits for moisture 1 or 2 percent in each grade, and (3) increase the maximum limits for splits 5 percent in each of the numerical grades.... Price-support programs on 1948-crop dry edible beans at 90 percent of parity as of September 1, 1948, and on 1948-crop dry edible smooth peas at 90 percent of the comparable price as of July 1, 1948, were announced June 8.... An estimated 1,106,000 long tons (42,004,000 bushels) of U. S. grain and grain products were exported in May. This raised the total for the 11 months ending with May 1948 to 13,943,000 long tons, compared with 12,909,000 long tons in the same period in 1946-47.

Potatoes.--In mid-May USDA announced the issuance of a marketing order and completion of a marketing agreement regulating the handling of Irish potatoes grown in North Carolina and in Accomac, Northampton, Princess Anne, James City, Norfolk, and Nansemond counties in Virginia. In a referendum, growers representing 79.8 percent of the potato growers participating and 78.5 percent of the production had favored the issuance of the order.... Under the new marketing order, USDA announced on June 2 that the Secretary of Agriculture had limited potato shipments from the area to potatoes meeting the requirements of U. S. No. 1 grade, or better, between June 4 and August 15, 1948. The action was in accordance with recommendations of the Southeastern Potato Committee, which directs local operation of the order.

Poultry.--USDA will continue during July to support egg prices in the Midwest at levels reflecting an average price to producers of at least 35 cents a dozen for shell eggs--the same as the May and June price. This is the price that vendors who sell dried eggs to the Department under the current price support programs must certify that they have paid producers for all the shell eggs they buy.

Tobacco.--A program designed to export 30 to 40 million pounds of 1946-crop fire-cured and dark air-cured tobacco, payments to be made to exporters out of funds available to encourage such exports, was announced by USDA at the end of May. Exports participating in the program will be eligible to receive payments amounting to one-third of the fair and reasonable f.a.s. sales price of the tobacco. In effect, the exporters would collect two-thirds of the price of the tobacco from the foreign buyer and one-third from USDA.... A program to export 30 to 40 million pounds of U. S. and Puerto Rican tobacco to Germany, with benefit payments to be made from U. S. customs duties to the extent of one-third of the f.o.b. invoice value of the tobacco, was announced by USDA on June 2. The program will be put into effect upon completion of an agreement between the Joint Export-Import Agency, Frankfurt, Germany, and the Administrator of PMA. A program requirement is that not less than 50 percent of the purchases be made from stocks of tobacco pledged to the Commodity Credit Corporation as collateral for nonrecourse loans. All purchases will be made through normal trade channels.

## ABOUT MARKETING:

The following address and publications, issued recently, may be obtained upon request. To order, check on this page the items desired, detach and mail to the Production and Marketing Administration, Washington 25, D. C.

### Address:

Production and Marketing Look Ahead, by Ralph S. Trigg, Administrator of the Production and Marketing Administration and President of Commodity Credit Corporation, at New York, N. Y. May 24, 1948. 10 pp. (Mimeographed)

### Publications:

Activities of the U. S. Department of Agriculture Relating to Disposal and Utilization of Government Synthetic Ammonia Plants for the Production of Fertilizers. (PMA) April 1948. 19 pp. (Multilithed)

Interstate Shipments of California Deciduous Tree Fruits, Season 1947. (PMA and the California Department of Agriculture cooperating) May 1948. 69 pp. (Mimeographed)

Marketing Arizona Salt River Valley Lettuce, Summary of 1947 Fall and 1948 Spring Seasons. (PMA and Arizona Fruit and Vegetable Standardization Service cooperating) May 1948. 22 pp. (Mimeographed)

Winter Cover Crop Seeds, 1936-1947--Acres Harvested, Yield Per Acre, Production, Price, and Value of Production, by States. (Bureau of Agricultural Economics) April 1948. 15 pp. (Mimeographed)

Cherries--Usual Time of Bloom and Harvest, by States and Commercial Areas. (Bureau of Agricultural Economics) May 1948. 7 pp. (Multilithed)

Production of Manufactured Dairy Products, 1946. (Bureau of Agricultural Economics) May 1948. 36 pp. (Multilithed)

Farm Production, Farm Disposition, and Value of Principal Crops, 1946-47, by States. (Bureau of Agricultural Economics) May 1948. 41 pp. (Mimeographed)

Wool During World War II. (War Records Monograph No. 7, Bureau of Agricultural Economics) May 1948. 104 pp. (Multilithed)

Food for Families With School Children. (Bureau of Human Nutrition and Home Economics. AIS-71. May 1948. 24 pp. (Printed)

Wholesale Buyers' Attitudes Toward Citrus Juices. (Farm Credit Administration) Miscellaneous Report 115. April 1948. 29 pp. (Mimeographed)

